ASCS BACKGROUND INFORMATION

United States Department of Agriculture

Agricultural Stabilization and Conservation Service

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PRODUCTION ADJUSTMENT PROGRAMS

Programs to help adjust production and marketing of specified farm crops, when in effect, are carried out by the Agricultural Stabilization and Conservation Service, through its State and county offices, under authorities of the Food and Agriculture Act of 1977, as amended, and the Agricultural Adjustment Act of 1938, as amended. These programs include set-aside and other cropland diversion provisions, and acreage allotments and marketing quotas for specified crops.

The 1977 Act significantly altered production adjustment programs for the 1978 through 1981 crops of wheat, feed grains, rice, and upland cotton. The 1977 Act continued the cropland set-aside approach, with revisions; substituted national program acreages for the acreage allotment system, except for rice; established authority for the farmer-owned grain reserve; established new limits on the amount of payment a person can receive annually under the program; and continued authority for the Secretary to permit producers to divert cropland acreage in addition to set-aside requirements and to make payments on this additional diversion. (For detailed information on commodity programs, see BI-5, "Loan, Purchase and Payment Programs," and ASCS Commodity Fact Sheets on individual commodities.)

Wheat, Feed Grains, Upland Cotton, and Rice Programs

These programs are designed to protect and improve farm income, give farmers more opportunity for decision-making on their farms, keep agricultural production in line with anticipated needs, and help assure that both farmers and consumers are equitably considered in the marketplace.

In line with these objectives, the Secretary of Agriculture is required to provide for a set-aside of cropland if it is determined that the total supply of wheat, feed grains, upland cotton or rice will, in the absence of such set-aside, likely be excessive, taking into account domestic and

export needs and any additional stocks required to maintain reasonable and stable supplies and prices, and to meet a national emergency. Set-aside provisions are applicable under the same general conditions for each crop.

If a set-aside for a commodity is in effect, producers must comply with set-aside provisions in order to be eligible for loans, purchases, and payments. Producers on a farm must set aside and devote to approved conservation uses an acreage of cropland equal to a specified percentage of the acreage planted for harvest.

Land diversion payments may be authorized for wheat, feed grains, upland cotton, and rice, if the Secretary determines that such payments are necessary to assist in adjusting the total national acreage to desirable goals, whether or not a set-aside of these crops is in effect.

In general, set-aside or diverted acres must be cropland that was tilled in at least one of the last three years, harvested for hay in all three preceding years in rotation with small grains or row crops, or was set aside or diverted acreage the previous crop year. The determination of acreage eligibility rests with the ASC county committee.

In order to provide a basis for limiting the planted crop acreage on a farm whenever a set-aside is in effect, a normal crop acreage (NCA) is established for each farm. A farm's NCA consists of the total number of acres normally planted in 1977 to the following crops: barley, corn, dry edible beans, flax, oats, rice, rye, sorghum, soybeans, sugarbeets, sugarcane, sunflowers, upland cotton, and wheat. Other crops may be included as recommended by the State ASC committee and approved by the ASCS Deputy Administrator for State and County Operations.

When computing the acreage of NCA crops, land that is double-cropped is counted only once.

To qualify for loans, purchase, and target price and disaster coverage authorized for crops in the NCA, producers of one or more set-aside crops must limit the acreage of NCA crops to the NCA minus the set-aside and any voluntary diversion. In order to qualify for program benefits on participating farms, owners and operators must also limit the acreage of NCA crops to the NCA on other farms they own or operate that produce a set-aside crop.

Producers must comply with the set-aside requirements on a farm on which a set-aside crop is planted to become eligible for loans and for deficiency and disaster payments on any program crop they produce on the farm, and for CCC price support loans on any crop included in the NCA (except sugarbeets and sugarcane).

The Secretary of Agriculture may permit, all or any of the set-aside acreage to be devoted to sweet sorghum, hay and grazing, or the production of guar, sesame, safflower, sunflower, castor beans, mustard seed, crambe, plantago ovato, flaxseed, triticale, oats, rye or other

commodity, if the Secretary determines that such production is needed to provide an adequate supply, is not likely to increase the cost of the price support program, and will not adversely affect farm income.

Marketing Quota and Acreage Allotment Programs

Marketing quotas and acreage allotments are authorized under the Agricultural Adjustment Act of 1938, as amended, as a means of regulating the marketing of commodities when supplies are excessive.

The Secretary of Agriculture must proclaim national marketing quotas for designated crops when supply prospects exceed specified levels. Quotas are in effect only when approved by a two-thirds majority of the eligible producers voting in referendum. If approved, the quotas become mandatory for producers to be eligible for price support.

Acreage allotments and marketing quotas remain in effect only for peanuts, extra long staple cotton, and most kinds of tobacco, and allotments only for rice for payment and loan purposes.

The national marketing quota for a given commodity represents, in general, the quantity estimated to be required for domestic use and exports during the year. The national marketing quota is prorated directly to producing States and then prorated to individuals farms on the basis of past production history.

For a summary of acreage allotments and marketing quotas in effect through 1975, see BI No. 5, Production Adjustment Programs, dated May 1976, and for a listing of marketing quota referendums from 1938 through 1977, see BI No. 10, Results of Marketing Quota Referendums, dated May 1976.